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## Stakeholder Orientation and Organizational Performance in an Emerging Market

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## **Stakeholder Orientation and Organizational Performance in an Emerging Market**

**Abstract:** There has been research that studies Chinese firms' stakeholder orientation but fails to identify Chinese firms' specific stakeholder groups. In addition, little research in this line has been conducted so far to reflect recent Chinese constitutional transition. This study seeks to fill these gaps. It extends previous studies assuming that a fixed set of stakeholders is suitable for firms in different countries context, and identifies Chinese firms' key stakeholder groups by adopting the descriptive approach of stakeholder theory. Based on this identification, the authors further examine how these stakeholder orientations influence organizational performance and how they interact. Interviews with managers from 107 firms show that customer, employee, shareholder, supplier, and competitors are perceived as Chinese firms' most important stakeholders; empirical studies using data collected from 307 Chinese firms reveal that orientations towards these stakeholders enhance organizational performance. Moreover, there are synergy effects existing among customer orientation, supplier orientation, and competitor orientation, and between customer orientation and competitor orientation, while shareholder orientation has significant hindering effects upon competitor orientation as a reflection of recent institutional changes taking place in China.

### **Key words:**

Stakeholder theory

Institution-based view

Market orientation

Performance

China

## **Stakeholder Orientation and Organizational Performance in an Emerging Market**

More and more researchers and practitioners have shown interests in stakeholder orientation which leads to better organizational performance (Berman et al. 1999; Greenley and Foxall 1998; Greenley and Foxall 1997; Greenley, Hooley, and Rudd 2005; Logsdon and Yuthas 1997; Luk et al. 2005). However little is known whether different stakeholder orientations interact with each other in a positive or negative way to influence various organization outcomes. In particular, previous research on stakeholders orientation usually stick to a fixed set of stakeholder groups for firms from various institutional backgrounds (e.g., Greenley and Foxall 1997; Luk et al. 2005) without identifying and investigating the stakeholders that are realistically emphasized by the firm in a particular institutional setting. Both stakeholder theory and the more recent institution-based view suggest that the conflicts among various stakeholders may vary across different national contexts and imply that researchers should integrate a stakeholder framework with institutional analysis to generate robust stakeholder orientation identification (Donaldson and Preston 1995; Freeman 1994; Peng, Wang, and Jiang 2008) and robust predictions on their effects on firm performance (Bruton, Ahlstrom, and Puky 2009).

To fill these theoretical and empirical gaps, we use the descriptive approach of stakeholder theory to identify Chinese firms' key stakeholder groups rather than assuming these firms should simply borrow the types of critical stakeholder groups identified by their counterparts in other developed economies, before linking the firms' stakeholder orientation with organizational performance in this important transition economy with dynamic institutional changes. We also investigate the interactive effects among the components of stakeholder orientation of Chinese firms.

Institution-based view suggests that stakeholders can be affected by country-specific institutions (North 1990), and addresses the embeddedness of firms in a nexus of formal and informal institutions (Peng, Wang, and Jiang 2008). Previous research simply replicates the key stakeholder types identified in western firms to study stakeholder orientation of Chinese service firms (Luk et al. 2005), which may have largely ignored the institutional conditions and specific attributes of organizations in this emerging market. Notably, Luk et al. (2005) admit that they have neglected the descriptive aspect of stakeholder theory when they examine Chinese firms stakeholder orientation. In Chinese institution setting which is significantly differently from other countries, identification of key stakeholders without using descriptive approach of stakeholder theory is inappropriate. Thus one of objectives of

this research is to fill what has been neglected in previous research and identify the key stakeholders in Chinese organizations first, then investigate how these key stakeholders identified by Chinese companies independently as well as interactively influence firm performance.

Thus, we attempt to extend past studies (i.e., Luk et al. 2005), in the same geographic region but a different industry setting and dynamically changed institutional background, by addressing the following three questions: (1) Which stakeholders matter to Chinese firms? (2) Does the stakeholder orientation improve firm performance? and (3) Do the orientations towards different stakeholders synergize or countervail each other, especially after 2004 constitutional amendment? We address these questions by using data of both manufacturing and service firms in China. Noticing the fact that Luk et al. (2005) directly replicate stakeholder groups used in previous studies on British firms (i.e., Greenley and Foxall 1998; Greenley and Foxall 1997), and noting the fact that firms in a different context, such as China, may have different priority regarding their stakeholder groups, we avoid Luk et al.'s (2005) weakness by carrying out two steps of data collection. First, we interviewed and surveyed executive managers in three Chinese coastal cities (Shenzhen, Xiamen, and Fuzhou) and identified the key stakeholders in Chinese firms' priority. Second, based on the identified key stakeholders, we collected data of Chinese firms' stakeholder orientation.

Therefore, we make important contributions. As good as our knowledge, this is the first effort to identify Chinese firms' key stakeholders through a survey method. Previous studies have ignored this important step as a descriptive aspect of stakeholder theory (Donaldson and Preston 1995; Freeman 1994), just employing orientation towards those stakeholder groups used in earlier studies in a different context, especially the developed economies like the UK (Luk et al. 2005). Mitchell, Agle and Wood (1997) posit that stakeholders should be categorized according to their attributes: power, legitimacy, and urgency to the firm. Thus a key stakeholder group in one developed country may not matter as much as that in an emerging market. As a result, before we connect stakeholder orientation with performance, key stakeholders of firms should be identified.

Second, based on the institution- based view (e.g., Peng, Wang, and Jiang 2008), we provide new evidence of convergent organizational behavior of Chinese firms in the changed institutional framework with their counterparts in Anglo-American countries in terms of interest conflict of shareholders and other stakeholders. In recent years some important institutional changes have been taking place in China. The Chinese constitution has begun to endorse private property right from 2004

for the first time ever since this country's foundation in 1949. Under such a legislation amendment and as a result of many years' reform towards a market economy, Chinese companies act largely based on the market mechanism and go after such an objective as profit maximization (Li et al. 2008). The interests of their shareholders are granted priority, which may be at cost of those of other stakeholders as revealed in our findings, which shows a convergence of organizational behaviors in this emerging market under communist governance with those in developed countries. The newly revealed hindering effects between shareholder orientation and competitor orientation among Chinese firms are different from past research conducted before the 2004 institutional change, in line with the institution-based view (North 1990; Peng, Wang, and Jiang 2008).

This article is organized as follows. First, we review literature both in the fields of market orientation and stakeholder theories as well as the institution-based view. Literature has shown support to such a notion that orientation towards key stakeholders is positively related with organizational performance (Berman et al. 1999; Deshpande and Farley 2004; Greenley and Foxall 1998; Narver and Slater 1990; Zhou et al. 2007). However, Chinese firms key stakeholders have not been properly identified and explored. So we develop hypotheses in order to investigate the impact of identified stakeholder orientations of Chinese firms' performance, as well as the interactive effects among these orientations. Second, we conduct empirical studies to test the hypothesis with two steps. We first identify key stakeholders of Chinese firms as customers, competitors, suppliers, employees, and shareholders, with a survey method. Based on this, we employ data collected from a sample of 307 Chinese firms to test the relationship of stakeholder orientation and performance. Besides, we investigate how orientations towards different stakeholder groups interact with each other. In the last section, we provide conclusion of this research, implications for researchers and practitioners.

## **THEORY AND HYPOTHESIS**

### **Market orientation**

Market orientation is the organization culture that effectively and efficiently creates the necessary behaviors for the creation of superior value for customers and continuous superior performance for the business (Narver and Slater 1990). It includes orientation to two stakeholders: customer and competitor. Research has witnessed the positive relationship between market orientation and performance in various contexts (Cano, Carrillat, and Jaramillo 2004; Ellis 2006; Kirca,

Jayachandran, and Bearden 2005).

Some researchers suggest that more stakeholders should be added into the concern to achieve superior performance (Greenley and Foxall 1998). Failure to address these stakeholders' interests may be detrimental to organizational performance (Clarkson 1995; Freeman 1984; Greenley and Foxall 1997).

### **Stakeholder theory, stakeholder orientation and Organization Performance**

A stakeholder is any group or individual who can affect, or is affected by, the achievement of an organization's purpose (Freeman 1984). Freeman (1994) argues that stakeholder theory can be unpacked into a number of stakeholder theories, each of which has a normative core and is linked to the way that firms should be governed and the way the managers should act. Thus, we employ the descriptive approach to illustrate how firms interact with their stakeholder groups, and instrumental approach to test the linkage of orientations to various stakeholder groups and performance; further, we utilize its normative and managerial approaches to recommend attitudes, structures and practices (Donaldson and Preston 1995).

Stakeholder theory suggests that firms should cater for the interests of stakeholders to maximize corporate wealth and collective benefits of all stakeholders (Donaldson and Preston 1995; Freeman 1994). Researchers in various disciplines such as governance, marketing, and strategy call for focus on important stakeholder groups. Customer as one of the earliest recognized stakeholders has been playing an critical role in the marketing concept (Barksdale and Darden 1971; McNamara 1972). Since the 1980s scholars added the competitor with the same level of importance as customer (Shapiro 1988), both of which compose market orientation, including orientation to customer and competitor (Narver and Slater 1990). With the development of stakeholder theory, researchers begin to explore a broader stakeholder orientation, which includes the firm's orientation towards its key stakeholder groups like customers, shareholders, employees, suppliers, and competitors, etc (Greenley and Foxall 1998; Greenley and Foxall 1997). Researchers in this line suggest that organizations with a higher level of stakeholder orientation will perform better (Deshpande and Farley 1999). However, due to the limitation of resources and the diverse and broad interests of stakeholder groups, firms may be not able to address all the interests of these groups equally (Clarkson 1995). It is crucial for companies to identify their key stakeholders, which significantly influence the efficiency in strategic decision making process to achieve consensus and ultimately company's long term competition

advantages and performance. Moreover, research on stakeholder orientation of Chinese organizations remains limited. It is not clear yet that what are the key stakeholders identified by organizations in this important emerging market.

Salience of different stakeholder groups varies in literature. Donaldson and Preston (1995) note that all stakeholder groups are equally important. In opposition, Mitchell, Agle and Wood (1997) argue that stakeholders differ significantly in terms of salience. Narver and Slater (1990) claim that customers and competitors have the same importance. We suggest that a descriptive approach and an instrumental approach are appropriate to reveal firms' key stakeholders. As Clarkson (1995, p.106) suggests, firms have primary and secondary stakeholders, and a primary stakeholder is "one without whose continuing participation the corporation cannot survive as a going concern". Based on the descriptive approach, and in order to identify the company's primary/key stakeholders, we conducted a survey among managers from 107 Chinese firms as indicated in the methodology section. Therefore, we focus on Chinese firms' key stakeholders that we identified as customers, employees, shareholders, suppliers, and competitors.

Stakeholder orientation is the attention a firm gives to each of their key stakeholders (Greenley and Foxall 1997). Studies have shown that orientation to key stakeholder groups is positively associated with performance (Greenley and Foxall 1997). Researchers argue that market orientation, consisting of customer orientation and competitor orientation is profitable as focusing on customer preferences and reactions to them can improve customer satisfaction and loyalty, and finally increase performance, including financial and marketing performance (Narver and Slater 1990). Moreover, market orientation provides a consistent and unified focus for the efforts of individuals and departments within the firm, therefore leading to superior performance, and higher level of spirit de corps, job satisfaction and organizational commitment due to the employees' feeling of belonging to such a firm and worthwhile contribution (Jaworski and Kohli 1993).

Performance implication is one of the key topics in stakeholder theory. Stakeholder theory suggests that to succeed a firm should appropriately deal with interests of its stakeholders (Donaldson and Preston 1995). Obviously the influences and functional mechanisms of stakeholders can differ when affecting a firm's competency and performance (Clarkson 1995). Greenley and Foxall (1997) suggest that orientation to key stakeholders like competitor, consumer, employee, and shareholder helps to clarify the corporate mission and culture and develop the strategic planning, and therefore it



is positively related to performance like sales growth, market share and new product success. Luk et al. (2005) reveal similar findings, and claim that stakeholder orientation should also influence the organization's corporate social performance, which is the linkage between a firm and its primary stakeholders (Waddock and Graves 1997). As such, the core issue of corporate social performance is how a firm deals with its relationships with various stakeholders. Organizational focus on key stakeholder orientation may positively impact the firm's social performance in this regard.

Employee management has significant impact on HR performance (Wei and Lau 2008). For example, safe and comfortable working environment may improve employees' satisfaction, make them work effectively and efficiently, and finally increase performance. Stakeholder orientation is a common brief permeated in the firm (Narver and Slater 1990). It can provide psychological and social benefits to employees, which leads to a sense of pride in belonging to a firm where all functions and individuals work towards the common goal of serving customers and providing value to other stakeholders (Kohli and Jaworski 1990). Accomplishing these objectives causes improved levels of spirit de corps, job satisfaction and commitment to the firm.

Donaldson and Preston (1995), and Clarkson (1995) note that suppliers are one of the primary stakeholders as important as customers. A firm will be seriously damaged if suppliers withdraw from it. The traditional zero-sum relationship between a firm and its suppliers should change to be a long-term cooperation based on mutual trust. Those firms keeping stable cooperative relationship with a small number of suppliers may have a higher level of performance than those who own a large number of suppliers.

Based on above arguments, we have:

H1: Stakeholder orientation as a whole is positively related to the firm's performance.

H1a: Customer orientation is positively related to the firm's performance.

H1b: Employee orientation is positively related to the firm's performance.

H1c: Supplier orientation is positively related to the firm's performance.

H1d: Competitor orientation is positively related to the firm's performance.

### **Interactive and Hindering Effects of Stakeholder Orientation**

Most of previous studies investigate the integrated effects of market orientation and/or stakeholder orientation on performance (Greenley and Foxall 1998; Greenley and Foxall 1997; Jaworski and Kohli 1993; Kirca, Jayachandran, and Bearden 2005; Narver and Slater 1990). These

authors drawing on the strategic management perspective suggest that competitive advantage and performance depend on how well a firm addresses the interests of key stakeholder groups as a whole (Clarkson 1995; Donaldson and Preston 1995; Freeman 1984; Kotler 1998; Luk et al. 2005). Greenley and Foxall (1997) maintain that orientation to four important stakeholders, including consumers, competitors, shareholders and employees, is positively related with business performance. Market orientation literature witnesses the positive impact of customer orientation and competitor orientation on organizational performance (Ellis 2006; Kirca, Jayachandran, and Bearden 2005).

However, stakeholder relationship is multifaceted, multiobjective, and complex (Harrison and Freeman 1999). Therefore, it is not enough only to test the combined effects of stakeholder orientation. There may be two types of interactive effects among the orientation towards different stakeholders: synergy effects and hindering effects (Luk et al. 2005). Following Luk et al. (2005), we suggest that customer orientation, competitor orientation, employee orientation, and supplier orientation are the components which are likely to have synergy effects. Moreover, shareholder orientation may hinder the effectiveness of other components of stakeholder orientation due to the competing interests between shareholders and other stakeholder groups.

Components of stakeholder orientation have synergy effects when the combination of two or more of them produces a higher level of positive influence on organizational performance than the summation of the independent impacts of the same set of components. Luk et al. (2005) note that customer orientation, competitor orientation, and employee orientation mutually facilitate each other. The organization-wide market orientation culture can integrate efforts of employees across departments to react to market intelligence generated and disseminated to satisfy customers' needs when neutralizing competitors' activities (Kohli and Jaworski 1990; Narver and Slater 1990). It is employees who play an indispensable role in generating market intelligence about customers and competitors, disseminating the intelligence within the organization, and responding to the intelligence to satisfy customers needs (Kohli and Jaworski 1990).

Because we reveal that suppliers are also one of Chinese firms' key stakeholders, it is important to explore the interactive effects of supplier orientation and other components of stakeholder orientation. Supplier orientation means a close and long-term relationship between the suppliers and the firm, who share risks and rewards, and have willingness to keep the relationship over the long term to provide value to end users (Shin, Collier, and Wilson 2000). As a result, stable and close

cooperative relationship with suppliers results in positive consequences like good quality, timely and reliable delivery, lower cost, and increased flexibility. In this regard, the firm may be able to serve its customers better and outperform its rivals (Shin, Collier, and Wilson 2000). Moreover, supplier orientation needs organization-wide cooperation among employees to align their firm's work with interdependent suppliers for the efficiency of the entire supply chain. As a result, supplier orientation may lead to a feeling of belongingness and worthwhile contribution to a firm where individuals and departments work together to achieve a common goal.

Therefore, we have relevant hypotheses for these four-way, three-way, and two-way interactive effects as follows:

H2: Customer orientation, competitor orientation, employee orientation, and supplier orientation positively interact to enhance performance.

H3: Customer orientation, competitor orientation, employee orientation, and supplier orientation positively interact with each other to enhance performance.

H4: (a) Customer orientation, competitor orientation, and employee orientation, positively interact to enhance performance; (b) Customer orientation, competitor orientation, and supplier orientation positively interact to enhance performance. (c) Customer orientation, employee orientation, and supplier orientation positively interact to enhance performance; and (d) Competitor orientation, employee orientation, and supplier orientation positively interact to enhance performance.

When the interests of two or more stakeholders are in conflict, one component of stakeholder orientation may hinder the effectiveness of another component (Luk et al. 2005). The resources possessed by a firm are limited to satisfy the interests of all stakeholders. Thus, a firm cannot consider the interest of one stakeholder without compromising those of other stakeholders (Greenley and Foxall 1998).

The recent important institutional changes in China provide interesting setting for us to investigate how different stakeholders influence firm performance in the changed institution background. The Chinese constitution has begun to endorse private property right from 2004 for the first time ever since this country's foundation in 1949. Under such a legislation amendment and as a result of many years' reform towards a market economy, Chinese companies act largely based on the market mechanism and go after such an objective as profit maximization (Li et al. 2008), rather than collective corporate wealth emphasized by stakeholder theory. By comparing the results from

previous similar research focusing on China before this institutional change, we can have opportunities to explore whether institutions changes reshape the relationships among stakeholders identified by firms and affect their interest conflicts.

Luk et al. (2005) note that firms may improve shareholders' short-term returns on their investments at the cost of customer satisfaction and employee interests. We further suggest that the hindering effects exist between shareholder orientation and supplier orientation. Sundaram and Inkpen (2004) suggest that the objective of shareholder value maximization matters, which means that as residual claimants shareholders tend to maximize their value when compromising the interests of other stakeholders in the short run. In such an emerging economy as China, controlling shareholders usually have too much concentrated ownership and control rights, which allow them to potentially expropriate other stakeholders (Peng, Wang, and Jiang 2008). For instance, retailers in China, including those reputable foreign companies like Wal-Mart, and Carrefour, own much greater bargaining power over their local suppliers, which enables them to practice some "unfair" treatments on these stakeholders such as refusing goods purchased under the contracts signed with suppliers (KPMG 2006).

Moreover, shareholder orientation may hinder the effectiveness of competitor orientation. It is critical for a firm to make a trade-off between short-term profit for the creation of shareholder value and long-term competitive advantage, which is based on understanding competitors activities and strategies (Narver and Slater 1990). When maximizing shareholder value is the primary goal of the organization, and when it comes to the division of profits, the opposing stances of shareholders and competitors are conspicuous in particular (Greenley and Foxall 1998). Firms may have to compromise their efforts and investments to understand the short-term strengths and weaknesses and long-term capabilities and strategies of both current and potential competitors (Narver and Slater 1990) when shareholders demand quick returns on their investments.

Therefore, we have:

H5a: Shareholder orientation negatively moderates the effectiveness of customer orientation on organizational performance.

H5b: Shareholder orientation negatively moderates the effectiveness of employee orientation on organizational performance.

H5c: Shareholder orientation negatively moderates the effectiveness of supplier orientation on

organizational performance.

H5d: Shareholder orientation negatively moderates the effectiveness of competitor orientation on organizational performance.

## **METHODS**

### **Sampling and Data Collection**

We choose China as the research context. First, China as a nation undergoing institutional transitions is ideal for researchers to examine how its institutional changes influence the strategic decisions and operations of businesses (Peng, Wang, and Jiang 2008). Its transition from a command economy to a more market-based system while under the socialism regime provides us a vivid and dynamic picture to observe how firms, domestic or foreign, cope with the legal and societal changes in institutions. With China accepting more and more market-supporting legal and regulatory institutions, companies in this area should perform more like those firms in developed countries (Peng, Wang, and Jiang 2008). In 2004 as a landmark China endorsed private ownership for the first time since 1949. We then attempt to investigate how this icebreaking legal reform has influenced Chinese firms behaviors, especially their stakeholder orientation.

Second, with pressures from globalization and reforming to improving competitiveness, many Chinese firms including state-owned enterprises (SOEs) have adopted a market-oriented approach (Wei and Lau 2008) and stakeholder-oriented approach to improve their competitive advantage and performance. After China entered WTO in 2001, foreign firms rush into the Chinese markets at a faster pace, which makes business practice like stakeholder orientation even more prevalent. Local firms are strongly urged to adopt such orientation to survive the intensified competition. Third, China is playing an important role in the global economy, whose impact is considerably larger than other emerging markets (Zhou et al. 2008). Thus, studying stakeholder orientation of Chinese firms has useful implications for organizations from other emerging economies.

We took a two-step procedure to collect data for this research. First, to identify Chinese firms' key stakeholders we carried out interviews with managers of firms located in three economically important coastal cities in south China: Shenzhen, Fuzhou, and Xiamen. Shenzhen and Xiamen are both Special Economic Zone established by Chinese central government in the early 1980s with economic arrangements that are more liberal than China's general economic policies. Along with

Fuzhou, the capital of Fujian Province, these cities are prominently positioned to propel local economy through strengthening relationship with neighboring more developed economies like Taiwan and Hong Kong. We contacted 300 randomly selected companies listed in Business Yellow Page (from a total population of 6,800 firms) and 134 businesses agreed to participate. We then had interviews with executives and managers from these organizations. In the interview, we asked these informants whether their organizations have a clear orientation statement towards their stakeholders. We also asked them to identify key stakeholder groups which are important for their organization's success. The result shows that 76.12% (n=102) of the interviewed firms have explicit statements of stakeholder relationship management. Five groups are defined as key stakeholders with a threshold of 50% when being identified by these firms: customers (88.12%), employees (81.19%), shareholders (74.26%), suppliers (55.45%), and competitors (51.49%).

Customer, employees, shareholders, and competitors as key stakeholder orientation are comparable with previous studies carried out in the UK (Greenley and Foxall 1998; Greenley and Foxall 1997). The inclusion of suppliers as one of the key stakeholder groups is consistent with Donaldson and Preston (1995), Harrison and Freeman (1999), and Freeman, Wicks, and Parmar (2004).

On the second stage, we collected data from firms operating in the three cities. A sample of 1,200 firms located in Shenzhen (n=327), Fuzhou (n=342), and Xiamen (n=531) was drawn from the Business Yellow Page. We employed the back-translation method during the questionnaire development. Due to Chinese firms' fear of leaking proprietary information to strangers and the frequent requests of researchers, many managers are reluctant to participate in surveys (Zou, Fang, and Zhao 2003). Our cover letter emphasized that this research was sponsored and conducted by researchers from a top-tier university in south China. It stated that the participants would be anonymous and that their privacy would be guaranteed. Questionnaires with cover letters and prepaid postage envelopes were then mailed to the CEOs of these firms as key informants. To increase the response rate, the questionnaire was limited to only three pages. The initial mailing and two following waves of surveys produced 378 responses. After excluding those questionnaires having excessive missing data (missing responses on three or more items on any single scale), we have a data set comprising observations from 307 firms, with a response rate of 25.6%, comparable with the rates reported in other research involving Chinese firms (e.g., Luk et al. 2005; Sin et al. 2005). We carried

out ANOVA analysis but found no significant difference for items across different locations. This shows evidence of data consistence. To assess potential nonresponse bias, early and late respondents were compared with respect to various firm characteristics, including industry, ownership, and firm size. No significant differences between early and late respondents were found. Thus, it was concluded that nonresponse bias was not a significant problem in this data.

(Insert Table 1 about here)

## Measures

All the measurement constructs were taken from literatures and slightly adapted for the purpose of the present research. Market orientation measures developed by Narver and Slater (1990) are most often used (Ellis 2006). Notably this instrument is able to provide a reliable and valid tool to investigate market orientation in China (Tse et al. 2003; Zhou et al. 2008). This study adapts instruments of customer and competitor orientation from their scales. We did not include one of the items concerning inter-functional customer calls Tse et al. (2003). Respondents were asked to rate the level they agree or disagree with the questionnaire statements on a seven-point Likert scale with 1=“strongly disagree” and 7=“strongly agree”.

We adopted Lings and Greenley’s (2005) four-item instrument to measure employee orientation, Luk et al.’s (2005) five-item scale for shareholder orientation, Shin, Collier and Wilson’s (2000) three-item measurement for supplier orientation, most of which have been used in the Chinese context. All these items are used to capture respondents’ level of agreement with the statements on a 7-point scale ranging from “strongly disagree” to “strongly agree”.

Organizational performance should be measured on a composite basis (Hult et al. 2008; Zou and Cavusgil 2002), and comparable with those used in previous studies. In addition, with privately-held firms and conglomerate business units, accurate objective performance data are frequently unavailable (Dess and Robinson 1984). Specifically, managers are extremely concerned about leakage of business secrets and are thus unwilling to offer objective data in China (Brouthers and Xu 2002; Hult et al. 2008). Thus, the present research uses subjective indicators to assess firms’ performance. We developed a 21-item scale to measure the respondents’ assessment of the major dimensions of performance, namely financial performance, market performance, corporate social performance, and employee performance (organizational commitment and esprit de corps), relative to major competitors over the last financial year, rated on a seven-point scale ranging from “poor” to “excellent”. We

adapted the employee performance instrument from Jaworski and Kohli (1993), and financial performance and corporate social performance instruments from Luk et al. (2005). Corporate social performance is able to ensure that firm performance includes multi-dimensional perspectives, not just that of shareholders (Clarkson 1995; Donaldson and Preston 1995; Luk et al. 2005). We used one item drawn from Luk et al.'s (2005) corporate social performance instrument. We measured market performance with five statements including sales volume, market share, level of customer satisfaction, customer repeated buying, and new product development, comprehensively based on suggestions by scholars (Greenley and Foxall 1998; Jaworski and Kohli 1993; Kohli, Jaworski, and Kumar 1993; Luk et al. 2005; Slater and Narver 1994).

Following Peng and Luo (2000), we recorded ownership, industry, firm size, and development phase as controls for firm characteristics. We measured ownership by dummy variables, coded 0 for SOEs and 1 for foreign firms or private firms. Industry was defined by a dummy variable, coded 1 for service (firms) and 0 for manufacturing (firms). Firm size was operationalized by asking respondents to choose one of the following seven options: "less than 199," "200–299," "300–999," "1000–1999," and "more than 200." We then coded 0 for firms of less than 1000 employees and 1 for the others. Finally, development phase was measured by three dummy variables based on respondents' perceptions of their industry growth levels like start-up, growth, maturity and decline.

*Common methods variance.* Although all the information was collected from the same respondent of an individual organization, the common method variance is not problematic in this study (Brouthers, Brouthers, and Werner 2003). First, some independent variable items have been reverse-scaled to avoid the occurrence of response patterns affecting the accuracy of data. Second, this study's independent and dependent variables are not similar in content. Third, multiple scales were used to catch cognitive independent constructs. Finally, we used Harmon's one-factor test by entering all variables and performing a factor analysis. The result showed an 11-factor solution in which the largest factor explained only 19.12% of the variance. Consequently, it is evident that the measurement model is robust to a common methods variance problem.

*Construct validity.* Following Anderson and Gerbing (1988), we assessed the construct validity of the latent constructs with a nine-factor confirmation factor analysis (CFA) measurement model which includes all the theoretical measures was estimated (Arbuckle 2006). For the sample, the standardized factor loadings for each individual indicator on its respective constructs are statistically



significant ( $p < .000$ ) and sufficiently larger than an arbitrary .50 (Hair et al. 2006; Zhou et al. 2007) with few exceptions. As the Appendix shows, the model fits that data satisfactorily:  $\chi^2(783) = 1715.738$ ,  $p < .000$ ; IFI = .886; TLI = .874; CFI = .89; and RMSEA = .06, in support of the dimensionality of the constructs. All composite reliabilities (ranging from .815 to .920) are greater than the .70 benchmark, with the average variances all above the .50 cutoff (Hair et al. 2006). Thus, these measures demonstrate adequate convergent validity and reliability.

(Insert Table 2 about here)

We employed two methods to assess the discriminant validity of the measures in line with Anderson and Gerbing (1988). First, we ran totally 36 pairwise tests for all the scales to examine the chi-square difference. This is to determine whether the freely estimated model (in which the correlation is estimated without restriction) fits the data significantly better than the restricted model (in which the correlation is fixed at 1.0) (Zhou et al. 2007). All chi-square differences are highly significant. Second, we further examined all of the cross-construct correlations which are significantly differently from |1.0| (Zhou et al. 2005). The highest correlation is .794. This adds additional evidence for discriminant validity (Zhang, Cavusgil, and Roath 2003). Thus, these results provide support for construct validity for the measures used in the research.

## ANALYSIS AND RESULTS

We examined the correlations between variables before we ran our analyses. Table 3 illustrates the means, standard deviations, and correlations for the construct measures. We observed several significant correlations among control and independent variables. To investigate whether there is multicollinearity with our data, we calculated the variance inflation factor (VIF) scores. The results showed that all VIF scores were lower than 3. A high level of multicollinearity is a typical problem when an interaction term is composed of correlated variables. To eliminate the suspicion that interaction items are significant only because they overlap with other nonlinear items, we followed Cortina's (1993) suggestion and used the squared terms of the covariates. Thus, we expect that multicollinearity is not a concern in our analysis.

(Insert Table 3 about here)

We utilized multiple regression analysis to test the relationship among control variables,

stakeholder orientation as independent variables, and performance measures as dependent variable (H1). Table 4 displays the results of the test. We used overall performance, financial performance, market performance, organizational commitment, esprit de corps, and corporate social performance respectively as the dependent variables. Model 1 includes the control variables. Model 2 adds on the hypothesized stakeholder orientation components variables. Model 3 includes all control variables and stakeholder orientation as a single variable.

As indicated in Table 4, adding stakeholder orientation variables (components of stakeholder orientation, and stakeholder orientation as a whole) increases R-square at a very significant level ( $p < .001$ ). Stakeholder orientation is significantly and positively related to all performance measures ( $p < .01$ ), in support of H1. However, orientation to different stakeholders exerts different impacts on performance. This indicates more complex relationships among these components. In detail, customer orientation is significantly and positively connected with overall performance, market performance, organizational commitment, and esprit de corps ( $p < .01$ ); employee orientation is significantly linked with overall performance, organizational commitment, esprit de corps, and corporate social performance ( $p < .01$ ); shareholder orientation is marginally related to esprit de corps ( $p < .10$ ); supplier orientation is marginally related to market performance ( $p < .10$ ); competitor orientation is significantly related to all performance indicators except for esprit de corps ( $p < .01$ ). Thus, H1a, H1b, and H1d receive support, and H1c receives partial support.

Among control variables, foreign ownership is significantly connected with overall performance, financial performance, market performance, esprit de corps and corporate social performance, while private ownership is linked with overall performance and esprit de corps. Larger scale is significantly related to overall performance, financial performance, and corporate social performance. A development and a mature stage are significantly linked with financial performance, and market performance, while a declining stage is negatively connected with overall performance, financial performance, and corporate social performance.

(Insert Table 4 about here)

To test the interactive effects, we employed moderated regression analysis. We conducted a series of analyses in which we regressed the dependent variable, namely overall performance, in six hierarchical models on (1) control variables, (2) five dimensions of stakeholder orientation, (3) five

two-way interactions, (4) four three-way interaction, (5) four-way interaction, and (6) four two-way interactions involving the shareholder orientation. The overall performance as the independent variable was the mean of all summed up performance indicators.

(Insert Table 5 about here)

As Table 5 indicates, in Model 4 customer orientation, supplier orientation and competitor orientation exert marginally positive and interactive effects on performance ( $p < .10$ ), in support to H4b. However, as reflected in Model 5, the interaction among customer orientation, employee orientation, supplier orientation and competitor orientation is not significantly related to performance. Thus H2 is not supported. In Model 3, employee orientation and competitor orientation positively interact on performance ( $p < .05$ ). However, we did not find other significant effects in other two-way relationships, i.e., employee and customer, supplier and customer, employee and competitor, supplier and competitor, and employee and supplier. Therefore, H3 is only partially supported. Finally, shown in Model 6 shareholder orientation and competitor orientation are found to negatively interact on performance as hypothesized ( $p < .05$ ), which provides support to H5d. Other hypothesized effects are not significant, which means that H2, H4a, H4c, H4d, H5a, H5b, and H5c receive no significantly empirical support.

We found that customer orientation and competitor orientation are significant across all models, and that employee orientation is significant in Model 2. As key components of market orientation (Narver and Slater 1990), customer orientation and competitor orientation show significant connections with organizational performance. This finding is consistent with the main body of market orientation studies (Ellis 2006; Kirca, Jayachandran, and Bearden 2005).

For control variables, foreign firms ( $p < .01$ ) and private firms ( $p < .05$ ) are significant in Model 1. Firm size is significantly linked to organizational performance in Model 1 ( $p < .05$ ), and marginally significant in 3, 4 and 5 ( $p < .10$ ). Developing stage ( $p < .05$ ) is significant across steps except for Model 1 and 6. Mature stage ( $p < .10$ ) is marginally significantly related to performance across steps except for Model 1. Declining stage has significantly negative connection with overall performance in Model 1 ( $p < .05$ ).

## DISCUSSION AND CONCLUSION

In this study we contribute to literature by exploring after recent legislative and institutional

changes how Chinese firms' orientations towards identified key stakeholder groups are connected to organizational performance, and how these stakeholder orientations interact with each other. Notably this is the first study that identifies Chinese firms' key stakeholders through a survey method. Studying British firms, Greenley and Foxall (1998; 1997) simply build up their' stakeholder orientation towards four stakeholders out of literature review. Luk et al. (2005), when investigating Chinese services firms, replicate Greenley and Foxall's stakeholder groups. "The stakeholder theory is unarguably **descriptive**" (Donaldson and Preston 1995, p.66, emphasis in original). Therefore, we should ensure that the model is descriptively accurate and that the company is seen by observers and participants in this way, when it serves as a framework for test any empirical claims (Donaldson and Preston 1995). To achieve this accuracy, before we carried out empirical analysis of the theoretical hypotheses about the relationships between stakeholder focus and performance, and the linkages among orientations towards stakeholders, we revealed through survey that five stakeholder groups are regarded by Chinese firms as key stakeholders, namely customers, employees, shareholders, competitors, and suppliers.

Based on this important finding, our further analysis indicates that in a Chinese context firms' overall orientation to key stakeholders is closely linked to performance, including market and financial performance, employees' organizational commitment and esprit de corps, and corporate social performance. In particular, customer and competitor orientations, theorized as important components of market orientation (Narver and Slater 1990; Noble, Sinha, and Kumar 2002), are confirmed to have significant association with organization performance. Customer orientation is found to be connected to market performance, organizational commitment, and esprit de corps, consistent with past research (Deshpande and Farley 2004; Zhou et al. 2007). However, our findings also show that customer orientation is not significantly related to financial performance, not consistent with scholars' propositions (e.g., Narver and Slater 1990). Some writers argue that the reason could be the existing of mediators between customer orientation and performance (Han, Kim, and Srivastava 1998; Hult, Ketchen, and Slater 2005). We call for more research efforts in this regard. We also found that customer orientation is not significantly related to corporate social performance, not consistent with Luk et al. (2005). The reason may be that Luk et al.'s measures for corporate social performance is more customer- and employee-related, which may overlap with market and employee performance measures. Moreover, our single-item scale, focusing on increasing local employment and income,

may be too simple. Therefore, future research needs a more complex instrument to measure firms' corporate social performance (Ruf et al. 2001).

Orientation to other key stakeholders is also important for organizational performance. For instance, employee orientation has significant relationship with a firm's overall performance, organizational commitment, esprit de corps, and corporate social performance, shareholder orientation with esprit de corps, and supplier orientation with market performance.

Components of stakeholder orientation are not only related to performance on a separated basis, but also interactive among them (Luk et al. 2005). Our findings show positive effects of the combination of customer and competitor orientation on performance. Therefore market orientation should be viewed as an integration of these two orientations (Hult, Ketchen, and Slater 2005) to exert more profound impact on performance than simply adding one of them by the other. Similarly, there is synergy effect existing among customer orientation, competitor orientation, and supplier orientation (Greenley and Foxall 1998; Greenley and Foxall 1997; Luk et al. 2005). Ignoring any of these orientations may result in substantial loss in organizational performance. As shown in our study, those firms simultaneously addressing the indicated combinations of orientations may outperform their rivals.

Another interesting finding of this research is the evidence of existence of hindering effect between shareholder orientation and competitor orientation, which past research fails to reveal (Luk et al. 2005). This suggests that for the short-run interests of shareholder, the company may intend to compromise its availability of resources and investments deployed to act upon competitors' activities and strategies. Business practitioners should be aware that endorsing these two orientations at the same time may erode short-term performance. Luk et al. (2005) suggest that in China the communist ideology may be a factor restraining company opportunism and impeding maximizing shareholder value. However, in this research we witness the detrimental effects on stakeholder orientation, at least on competitor orientation. This difference may be due to the institutional change taking place recently in China. Away from the communist ideology of rejecting private property ownership (Luk et al. 2005), China had written the respect and protection of such right into its constitution in 2004 by stating that citizens' lawful private property is inviolable. Notably, in 2007 as a landmark step, the Property Law was adopted by Chinese Congress. The law is among the first piece of legislation in People's Republic of China to officially endorse an individual's right to own private assets. Although

some SOEs may still have to realize some political and social objectives other than profit maximization, the most important and explicit goal of firms in China, like their counterparts in market economies, is to maximize profit (Li et al. 2008). At large, Chinese shareholders are as own value-seeking, which may result in incompatibility of interests between theirs and those of other stakeholders as shown in our findings, which is consistent with the organizational behaviors in maturer economies. Moreover, these are probabilities that we observe other types of hindering effects of shareholder orientation on stakeholder orientation as a result of this institutional change in China in the near future.

### **Limitations and Suggestions for Further Research**

Several limitations of this study may offer additional research opportunities. First, we did not employ a single item to indicate objective performance, so there may be concern over performance inclusiveness and accuracy. Following performance researchers' suggestions (Hult et al. 2008), we employed a multi-dimensional subjective measure of the company performance. Although top management team's perception of their firm's performance, operationalized in a subjective and relative sense, is often consistent with how the firm actually performs (Dess and Robinson 1984), multiple data sources should be used to enhance our understanding of antecedents of the performance construct (Hult et al. 2008). Future studies should consider employing multiple indicators to reflect organization performance.

Second, this research employed cross-sectional data rather than longitudinal data. Although longitudinal research designs are logistically difficult and time consuming, they would enable time-series data analysis (Morgan, Kaleka, and Katsikeas 2004). On the other hand, cross-sectional data were necessary and appropriate to explore what is happening at a certain point in time. However, they could not be capable of fully explaining the dynamic processes of developing stakeholder orientation. Given the limitations of the cross-sectional nature of a survey study, it would be better for future research to conduct a longitudinal method to investigate the dynamic development and evolution of stakeholder orientation in firms and their corresponding effects on performance.

Third, future research can adopt a multi-informant approach in the questionnaire survey, although common methods variance was not found to be problematic in this study which applied a single-informant design. Due to the belief that CEOs should fully understand their organizations and operations, we asked them for information about every component of stakeholder orientation, and

performance. It would be more accurate to have additional informants, i.e. human resource directors for questions about employee-related performance. Given the difficulty of implementing a firm-level survey in emerging economies, future studies still need to employ multiple-respondent methods to improve the reliability of the constructs (Wei and Lau 2008).

Finally, although this study found linear relationships between stakeholder orientation and performance, however, there may be nonlinear linkages between stakeholder orientation and performance as the relationship between market orientation and performance suggested by some researchers. Narver and Slater (1990) argue that for commodity businesses the relationship between market orientation and performance may be U-shaped. Therefore, researchers need to spend more efforts to investigate the linkage of stakeholder orientation and performance. More possible moderation effects should be explored, and more studies should be conducted under different contexts.

### **Managerial and Theoretical Implications**

Managers can gain benefits from this study. First, this research documents that stakeholder orientation, as well as its components, has positive effects on firms' performance. Managers should not only try to develop and maintain stakeholder orientation in their organizations, but also notice the different effects of the components of stakeholder orientation in order to increase performance.

Second, there exist interactive effects among stakeholder orientation components. Particularly, the firm will have better performance when it exercises competitor orientation and customer orientation simultaneously, as the critical components of developing market orientation, than the performance achieved by implementing these orientations individually.

Third, although supplier orientation does not have direct and positive relationship with performance, it has synergy effects with competitor orientation, and customer orientation. In order to get the best out of competitor and customer orientation, managers are noted to combine these orientations with supplier orientation to achieve superior performance.

Finally, business practitioners should understand that in China, like elsewhere, institutional change is a crucial factor that impacts firm decision and operation activities (Peng, Wang, and Jiang 2008). In order to improve firm performance, it seems imperative that organizations keep close eyes on environmental changes including institutional changes and figure out how to fit in such a transition. For example, as this research reveals, they should be aware that in China organizational outcome may

be eroded if they perform shareholder orientation combined with competitor orientation, which could be a result of 2004 legislative change. Managers are advised that they should focus more on competitor orientation due to its very prominent positive connection with performance. When the performance is increased, the long-term interests of shareholders will be ultimately satisfied.

Researchers can likewise benefit from this study. First, this is the first study which identifies Chinese firms' key stakeholder groups. Taking descriptive and instrumental approaches of stakeholder theory, we propose that we should understand the real concerns of firms' orientation before we discuss the connection of orientation and performance. Moreover, the company's key stakeholders may vary, depending on the context (Mitchell, Agle, and Wood 1997). Further studies should test the relationships in other developed and developing economies.

Second, our attempt to examine how recent legal changes in China's institutions influences Chinese firms stakeholder orientation choices accommodates Peng, Wang, and Jiang's (2008) call for a heavier emphasis on institutional transitions and their interaction with organizational strategic choices and performance. Before 2004, private ownership was implicitly against communist ideology, although it was permitted by the national policy (not law), which might have restrained Chinese firms from explicitly pursuing such a goal as shareholder interest maximization (Luk et al. 2005). After 2004 such ownership has been protected by the Chinese Constitution. As a result of such a milestone in China's institutional transitions, firms may find it justifiable to be motivated to seek maximizing shareholder interests. We encourage more efforts devoted to other profound outcomes of the legal changes in Chinese institutions on organizational decision-making.

Third, we show in the research that, although stakeholder orientation is found having positive linkage with performance, there are more complex relationships among the dimensions of stakeholder orientation, including synergy and hindering effects. Our study demonstrates that for some stakeholders simple summation of orientations to them is not sufficient for better performance. Customer orientation, competitor orientation, and supplier orientation have robust interactive effects on performance. Thus, an organization should not separate and disregard any of three orientations. Conversely, we also found that shareholder orientation exerts detrimental effects on at least one of components of stakeholder orientation, competitor orientation. This proves that there is incompatibility between interests of stakeholder and competitor among Chinese companies. Obviously we need more understanding of the hindering effects between shareholder and other



stakeholders. More efforts should be spent to investigate other synergy and hindering effects and their mechanisms among orientations to stakeholders in other contexts.

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**TABLE 1. FIRMS CHARACTERISTICS**

		Frequency	Percent	Cumulative Percent
Industry	Manufacturing	110	35.8	35.8
	Service	148	48.2	84.0
	Others	49	16.0	10.0
	Total	307	10.0	
Ownership	SOEs	140	45.6	45.6
	Foreign firms	118	38.4	84.0
	Private firms	49	16.0	10.0
	Total	307	10.0	
Firm size	<199	61	19.9	19.9
	200-299	38	12.4	32.2
	300-999	66	21.5	53.7
	1000-1999	53	17.3	71.0
	>2000	89	29.0	10.0
	Total	307	10.0	
Development phase	Start-up	20	6.5	6.5
	Growth	149	48.5	55.0
	Maturity	123	4.1	95.1
	Decline	15	4.9	10.0
	Total	307	10.0	

**TABLE 2. RESULTS OF CONFIRMATORY FACTOR ANALYSIS OF KEY  
CONSTRUCTS (N=307)**

Constructs and Measurement Items	Standardized Regression Weights	t	Item-Total Correlation
<b>Customer orientation</b> ( $\alpha=.875$ )			
1. Business functions are integrated to serve market	.639		.588
2. Our objectives and strategies are driven by the creation of customer satisfaction.	.703	1.408	.676
3. Competitive strategies are based on understanding customer needs.	.755	1.992	.705
4. Business strategies are driven by increasing value for	.760	11.048	.686
5. Customer satisfaction is assessed systematically and	.706	1.441	.646
6. Close attention is given to after-sales services.	.739	1.821	.695
7. Customers are targeted when we have an opportunity for competitive advantage.	.667	.981	.606
<b>Employee orientation</b> ( $\alpha=.833$ )			
1. We have regular staff appraisals in which we discuss employee needs.	.758		.665
2. We have regular staff meetings with employees.	.578	9.796	.550
3. We survey staff at least once each year to assess their attitudes to their work.	.797	13.796	.697
4. We try to find out the true feelings of my staff about their jobs.	.855	14.724	.753
<b>Shareholder orientation</b> ( $\alpha=.868$ )			
1. Our objectives are driven by creating shareholder	.688		.628
2. Senior managers have regular meetings with	.799	12.407	.744
3. We regularly compare our share value to that of our	.736	11.547	.661
4. We regularly carry out public relations aimed at	.789	12.274	.730
5. Designated managers have the responsibility to satisfy shareholders' interests.	.775	12.083	.704
<b>Supplier orientation</b> ( $\alpha=.819$ )			
1. We focus on long-term relationship with our suppliers.	.814		.671
2. We have clear standards to evaluate suppliers.	.795	14.123	.713
3. We have a policy to share information with suppliers.	.719	12.705	.637
<b>Competitive orientation</b> ( $\alpha=.807$ )			
1. Sales people share information about competitors.			.621
2. We achieve rapid response to competitive actions.		12.851	.706
3. Top management regularly discusses competitors' strengths and weaknesses.		11.669	.639
<b>Organizational commitment</b> ( $\alpha=.846$ )			
1. Employees feel as though their future is intimately linked to that of this organization.	.725		.652
2. Employees would be happy to make personal sacrifices if it were import for organizational well-being.	.730	12.425	.685
3. Our people have little or no commitment to this organization.	.446	7.513	.425
4. In general, employees are pound to work for this business unit.	.877	14.925	.773

5. It is clear that employees are fond of this organization.	.881	14.989	.765
<b>Esprit de corps</b> ( $\alpha=.895$ )			
1. People in this organization are genuinely concerned about the needs and problems of each other.	.765		.703
2. A team spirit pervades all ranks in this business unit.	.817	15.221	.792
3. Working for this organization is like being a part of a big family.	.888	16.837	.832
4. People in this organization feel emotionally attached to each other.	.847	15.912	.775
5. People in this organization feel like they are “in it together”.	.841	15.767	.785
6. This organization lacks a “spirit de corps”.	.494	8.646	.461
<b>Market performance</b> ( $\alpha=.815$ )			
1. Sales volume achieved	.781		.637
2. Market share achieved	.829	14.875	.734
3. Customer satisfaction	.711	12.556	.654
4. Customer repeat purchase	.695	12.229	.637
5. New product success	.444	7.513	.384
<b>Financial performance</b> ( $\alpha=.920$ )			
1. Overall profit levels achieved	.840		.789
2. Profit margins achieved	.935	21.848	.881
3. Return on investment	.890	2.200	.847
4. Shareholder satisfaction with Financial performance	.792	16.688	.747
Model Fit Indices: $\chi^2(783) = 1715.738$ ( $p = .0$ ); $\chi^2/\text{d.f.} = 2.19$ ; RMSEA=.06; IFI=.886; TLI=.874; GFI=.79; and CFI=.89			

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**TABLE 3. CORRELATIONS AMONG THE KEY CONSTRUCTS AND THE CONTROL VARIABLES (N=307)**

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1 Industry															
2 Ownership	-.227**														
3 Scale	-.136*	-.354**													
4 Stage	-.072	-.284**	.323**												
5 TP	-.084	.086	.166**	-.012											
6 FP	-.018	.091	.125*	-.092	.736**										
7 MP	-.155**	.070	.122*	.021	.627**	.677**									
8 OC	-.061	.065	-.085	-.057	.134*	.207**	.268**								
9 EDP	-.086	.190**	-.103	-.132*	.153**	.233**	.245**	.724**							
10 CSP	-.123*	.023	.179**	-.053	.356**	.405**	.492**	.281**	.185**						
11 CO	-.190**	.242**	-.028	-.084	.277**	.286**	.445**	.453**	.522**	.257**					
12 EO	-.039	.180**	-.025	-.092	.226**	.284**	.338**	.501**	.506**	.329**	.499**				
13 SO	-.156**	.198**	.037	-.037	.235**	.265**	.303**	.363**	.423**	.203**	.468**	.521**			
14 PO	-.189**	.076	.080	-.022	.257**	.230**	.411**	.373**	.401**	.287**	.517**	.507**	.543**		
15 COMO	-.176**	.236**	-.035	-.108	.364**	.373**	.464**	.473**	.433**	.352**	.580**	.521**	.498**	.558**	
M	-	-	-	-	4.64	4.64	4.62	4.23	4.25	4.41	6.935	4.108	4.090	4.721	4.524
SD	-	-	-	-	1.759	1.480	1.194	1.245	1.255	1.522	1.651	1.562	1.485	1.453	1.371

\*\*  $p < .01$ , \*  $p < .05$  (2-tailed).

Note: TP = combined performance; FP = financial performance; MP = market performance; OC = organizational commitment; EDP = esprit de corps; MT = market turbulence; CI = competitive intensity; TT = technology turbulence; CO = customer orientation; EO = employee orientation;; SO = shareholder orientation; PO = supplier orientation; and COMO = competitor orientation.



**TABLE 4. THE INFLUENCE OF STAKEHOLDER ORIENTATION ON PERFORMANCE (BETA)**

Constructs	Overall performance			Financial performance			Market performance			Organizational commitment			Esprit de corps			Corporate social performance		
	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3
Control variables																		
Service firms	-.073	-.003	-.010	.034	.068	.071	-.080	-.011	-.031	-.096	-.039	-.037	-.083	-.032	-.023	-.122**	-.076	-.088
Foreigner firms	.196***	.012	.010	.165***	.052	.057	.181***	.047	.036	.019	-.158***	-.157***	.143**	-.029	-.034	.107*	.007	.007
Private firms	.129**	-.017	.001	.117*	.020	.043	.089	-.024	-.011	.032	-.104*	-.089	.143**	.014	.022	.021	-.050	-.047
Large-scale firms	.137**	.075	.070	.129**	.091	.090	.108*	.061	.056	-.029	-.088*	-.092*	.008	-.052	-.056	.183***	.150***	.147**
Developing stage	.089	.212**	.223	.259**	.327***	.337**	.112	.196*	-.218**	-.119	.011	.008	-.097	.040	.031	-.040	.031*	.033
Mature stage	.067	.181*	.190	.205*	.267**	.276**	.172	.245**	.269**	-.142	-.019	-.026	-.165	-.037	-.048	-.098	-.031	-.032
Declining stage	-.164**	-.053	-.070	-.158**	-.094	-.103	-.092	-.006	-.018	-.043	.063	.047	-.098	-.007	-.008	-.145*	-.072	-.094
Independent variables																		
Customer orientation		.201***			.082			.235***			.181***		.287***				.034	
Employee orientation		.208***			.105			.047			.302***		.260***				.192***	
Shareholder orientation		.048			.084			-.017			.045		.114*				-.058	
Supplier orientation		.048			-.037			.128*			.002		.037				.052	
Competitor orientation		.294***			.236***			.234***			.227***		.049				.220***	
Stakeholder orientation			.622***			.362***			.488***			.362***			.593***			.335***
R <sup>2</sup>	.085	.456	.427	.110	.244	.226	.071	.314	.281	.020	.360	.327	.053	.379	.364	.062	.193	.161
Change in R <sup>2</sup> from model 1		.371	.342		.134	.116		.243	.210		.340	.307		.326	.311		.131	.099
Sig F for $\Delta R^2$ from model 1		.000	.000		.000	.000		.000	.000		.000	.000		.000	.000		.000	.000

\*  $p < .10$ , \*\*  $p < .05$ , \*\*\*  $p < .01$  (two-tailed test).

**TABLE 5. HIERARCHICAL REGRESSION ANALYSIS OF EFFECTS AMONG STAKEHOLDER ORIENTATIONS (BETA)<sup>a</sup>**

Predicting variables	Regression models					
	1	2	3	4	5	6
<b>Step 1: Control variables</b>						
Service firms	-.073	-.003	-.001	.002	-.003	.000
Foreign firms	.196 <sup>***</sup>	.012	.023	.022	.021	.025
Private firms	.129 <sup>**</sup>	-.017	-.011	-.020	-.020	-.013
Large-scale firms	.137 <sup>**</sup>	.075	.087 <sup>*</sup>	.082 <sup>*</sup>	.084 <sup>*</sup>	.072
Developing stage	.089	.212 <sup>**</sup>	.206 <sup>**</sup>	.202 <sup>**</sup>	.198 <sup>**</sup>	.180 <sup>*</sup>
Mature stage	.067	.181 <sup>*</sup>	.176 <sup>*</sup>	.174 <sup>*</sup>	.171 <sup>*</sup>	.161 <sup>*</sup>
Declining stage	-.164 <sup>**</sup>	-.053	-.054	-.056	-.058	-.072
<b>Step 2: Stakeholder orientation</b>						
Customer orientation		.201 <sup>***</sup>	.577 <sup>***</sup>	.667 <sup>*</sup>	1.193 <sup>**</sup>	1.144 <sup>**</sup>
Employee orientation		.208 <sup>***</sup>	.119	-.618	.250	.223
Shareholder orientation		.048	.047	.037	.036	.038
Supplier orientation		.048	-.161	.488	1.380	1.376
Competitor orientation		.294 <sup>***</sup>	.795 <sup>***</sup>	1.120 <sup>***</sup>	1.858 <sup>***</sup>	2.044 <sup>***</sup>
<b>Step3: Two-way synergy effects</b>						
Employee * customer			-.349	.838	-.594	-.721
Supplier * customer			.314	-.722	-2.174	-2.139
Competitor * customer			.848 <sup>**</sup>	1.473	2.747 <sup>**</sup>	2.693 <sup>**</sup>
Employee * competitor			.368	1.532	2.117	-2.286
Supplier * competitor			.214	1.722	3.476 <sup>**</sup>	3.429 <sup>**</sup>
Employee * supplier			.198	.342	-1.598	-1.888
<b>Step 4: Three-way synergy effects</b>						
Customer * employee * supplier				-.281	2.491	2.315

Customer * employee * competitor				-1.467	.841	.826
Customer * supplier * competitor				2.217*	4.732**	4.735**
Employee * supplier * competitor				.117	2.824	3.063*
<b>Step 5: four-way synergy effects</b>						
Customer * employee * supplier * competitor					-4.038	-3.977
<b>Step 6: Two-way hindering effects</b>						
Shareholder * customer						.244
Shareholder * employee						.447
Shareholder * supplier						.123
Shareholder * competitor						-.735**
$R^2$	.085	.456	.474	.479	.481	.493
<i>Change in <math>R^2</math></i>	.085***	.371***	.018	.005	.002	.012
<i>F change</i>	3.973***	40.128***	1.603	.647	.536	1.647
<i>F in ANOVA</i>	3.973***	20.554***	14.406***	11.847***	11.970***	10.480***

<sup>a</sup> N = 307

\*  $p < .05$ , \*\*  $p < .01$ , \*\*\*  $p < .001$  (two-tailed test).